TO STUDY THE INFLUENCE OF ADOPTION OF INTERNATIONAL ACCOUNTING AND AUDITING STANDARDS ON IMPROVING THE CORPORATE GOVERNANCE EFFECTIVNESS IN YEMENI BANKS

PH. D. FINAL SYNOPSIS

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Introduction

During the few past decades, interest in corporate governance has been growing in many developed and developing economies, especially in the wake of economic collapses and financial crises witnessed by the number of countries in East Asia, Latin America, and Russia in the nineties of the twentieth century. The U.S. economy has also recently been passing through rough waters as evidenced by the repercussions of the financial collapses of a number of U.S. tycoons and international companies during 2002. These collapses can be attributed for the most part to the spread of administrative and accounting corruption in general and financial corruption in particular, taking into account that accounting corruption is in part due to the process of fraud practiced by auditors through emphasis on the correctness of the financial statements and their contents (i.e. the accounting information included), which is contrary to the truth.

Some studies have indicated that the most important reasons for the collapse of the companies was the management's lack of good practice in monitoring and supervision, lack of experience and skill, imbalance between of financing structures and random expenditure, lack of transparency, lack of interest in the application of accounting principles and standards of accounting and auditing which are based on the application of principle of transparency and verification of disclosure to make accounting information actually reflect the real financial situation of the company, and other non-sound practices that have led to the inability to generate sufficient internal cash flow to pay off their obligations, hence sent them to a state of collapse. This state of collapse may result in lack of confidence in the financial markets and the withdrawal of the various investors, as well as lack of confidence in accounting and auditing offices as a result the lack of confidence in the accounting information contained in the financial statements of different companies.

Given the increasing interest in the concept of corporate governance, a number of international institutions made efforts to subject this concept to study and analysis: e.g. the International Monetary Fund (IMF), the World Bank, and the Organization for Economic Cooperation and Development, which issued the principles of corporate governance in 1999 to help member and non-member states of the Organization to develop legal and institutional frameworks for the application of corporate governance in both public and private

companies, whether current or non-current in financial markets. Here, a number of guidelines have been provided to enhance efficiency companies and financial markets and stabilize the economy as a whole. This supports the emphasis by the International Organization for Securities Commission (IOSCO) in 2002 on the importance of adopting the principles of corporate governance (Fawzy, 2003:6-7).

The concept of Corporate Governance is concerned with the creation and regularization of good applications and practices by those in charge of a company's management as to maintain the rights of shareholders, bondholders and employees of a company as well as its stakeholders and others, through the commitment to apply the standards of disclosure and transparency. Corporate Governance constitutes a set of rules that guide the behaviour of companies and shareholders, and companies managers (Al-Issawi, 2003:36-37), the government actions to promote and enforce those rules, and the increasing interest in the subject of corporate governance in recent years by researchers and those interested in international organizations (a number of conferences, seminars and workshops have been held in the developed countries, unlike developing countries, especially Arab states in general and Yemen in particular, where there is still a distinct lack in this direction).

With regard to the banking sector in the turn of the third millennium, banks worldwide face many challenges such as liberation of commerce in the financial services, the requirements of Basel Committee, the spread of money laundry operations, the technological revolution, the changes in the banking services structure. In order to face these challenges, many banks have adopted strategies such as expanding banking investment activities, presenting innovative financing activities, enhancing the use of technology, adopting the modern concept for banker marketing, developing human resources, and banker mergers.

Joint share companies, including banks, are undergoing a quantum leap in their practices. Consequent to the scandal of Enron (Agrawal & Chadha, 2005:373), Sarbanes Oxley's law and the Standard (SAS No. 99) were issued with instructions that force many companies to change their traditional methods in practising their work and be committed to these instructions and other regulations, which would increase the burdens sustained by auditing companies, too. Indeed, one of the new instructions which will affect most companies is that proposed by New York Stock Exchange (NYSE), which is represented by the new requirements that should be available for internal auditing function. Currently, the

American companies will have to pay bigger amounts of money than earlier as auditing fees. Companies should also pay expenses for implementing the new programs to tally with the instructions of the American government and the stock exchange.

Furthermore, the changes which will occur on International Accounting And Auditing Standards will exceed the joint share companies, given that the new legislations will impact on Corporate Governance. Banks and insurance companies will also be affected by those changes, and even private companies, on the basis of being subjected to standards related to high quality businesses (Bhasin, 2009:271).

The financial crisis that hit financial markets in the United States and other countries during 2008, threatening the whole world falling into recession not seen since 1928. The main reasons for this to be a bug in the mechanisms of control and follow-up both at the corporate level or the capital markets. Which increased the importance of the belief systems of governance as a tool of control and accountability and a wall of protection from such crises (Hassanein, 2009\

Moreover, banks face another type of challenges and changes, such as establishing direct lines for the notification about cheating and fraud, and training of employees for the application of the new standards according to the requirements of Sarbanes– Oxely's law and the Standard (SAS No. 99), given the necessity to keep abreast with the new laws and changes imposed by American government and stock exchange. Therefore, it has become necessary for the financial managers to endure new complicated burdens, in addition to their previous burdens.

Based on the above, and since year 1992, many countries have issued guidelines or principles for corporate governance. Europe was in the front, e.g. Britain, through Cadbury Report in 1992 (entitled "The financial aspects in the corporate governance"), followed by Greenbury Report in 1995, followed by Hampel Report in 1998, and finally *The Practical Guidelines for Corporate Governance* in 2004. Similarly, some countries from North, Southern and Latin America as well as some Asian and African countries started on the same path.[1]

[1] Among these countries – European countries: Britain; Austria in 9/2002; Belgium, which issued the first guideline in 1/1998, and issued the final one on 09/12/2004; Cyprus, 2003; the Czech Republic 2004; Denmark; Finland; Germany 2003; France 2004; Greece 2001; Hungary 2002; Iceland 2004; Ireland 1999; Italy 2004; Lithuania; Macedonia 2003; Norway 2004; Malta 2001; New Zealand 2004; Poland

It is noticed that most of those countries depended while preparing the guidelines and principles on the principles of corporate governance issued by the Organization for Economic Co-operation and Development (OECD) in 1999, and the modified version of 2004, which defines corporate governance as "**Procedures and processes according to which an organisation is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organisation – such as the board, managers, shareholders and other stakeholders – and lays down the rules and procedures for decisions-making**" (OECD, 2005).

Public trust and investor confidence in the nation's economy and its capital markets are the key drivers of economic growth, prosperity, and financial stability. Investors are confident when stock prices are high, the news about future stock performance is optimistic, and financial information is perceived to be reliable. The wave of financial scandals in the late 1990 and the early 2000 coupled with the economic downturn had a substantial negative impact on investor confidence. Corporate and accounting scandals are still a major concern among investors. In May 2006, more than 71 percent of investors felt that accounting issues negatively affected the capital markets (down from 91 percent in 2002) (Zabihollah, 2007). Corporate governance reforms, including the Sarbanes-Oxley Act of 2002 (SOX), SEC-related rules, listing standards of national stock exchanges, and best practices, have been established to rebuild public trust and investor confidence in corporate America. Investors would like to see changes in the corporate governance structure that not only require compliance with these reforms but also address managerial incentives and pressures, vigilance and independence of boards of directors, quality and independence of auditors, objectivity of financial analysts, and shareholder democracy in director elections. Public trust and investor confidence in public financial information is a complex issue that "cannot be legislated ... the investment community is requiring individual companies, one by one, to earn back market trust" (Woodward, R., J. Dittmar, and C. Munoz. 2003).

2004; Portugal 2003; Romania 2000; Russia 2002; Spain 2004; Slovenia 2004; Slovakia 2002; Sweden 2004; Netherlands 2004; and finally Turkey, 2003. Among Asian countries: Philippines 2000; Taiwan 2002; Thailand 2002; South Korea 2002; Singapore 2004; Pakistan 2002; Japan 2004; India 2000; Indonesia 2001; Hong Kong 2004; China 2001; Bangladesh 2004; and Jordan 2004. Among North and South American countries: Brazil 2004; Canada 2004; Mexico 1999; Peru 2002; and America 2004. In Latin America: Jamaica 2005. Australia is also included through the Bosch Report in 1995. In Africa: South Africa 2002; Kenya 2002; and Egypt 2005. For more details, one can refer to www.iia.org.

In this context, Yemeni Businessmen Club (YBC) has issued guidelines of corporate governance in March 2010, but it did not give instructions on the disclosure and transparency of corporate governance in published annual reports of banks. It does not force Yemeni companies to commit to it; it is voluntary. All Yemeni banks did not mention the reports of the boards of directors to the topic of corporate governance with the exception of Arab Bank.

In order to provide more transparency and disclosure, and encourage investment in the financial markets and institutions, and re-be confident, we need to ask the Yemeni financial community: Why corporate governance guidelines? Why are Yemeni banks report not published thereon within the annual reports published? What is the role of the accounting profession in Corporate Governance?

In this sense, this study is investigating a very important issue, i.e. the impact of adopting International Accounting and Auditing Standards on improving corporate governance effectiveness in Yemeni banks.

The Problem of the study

There is an urgent need for reassuring investors, employees, and other interested parties by undertaking steps that are necessary for the protection of their legitimate interests, and retrieving confidence in the published financial statements which are supposed to "fairly expose". In addition, there is a need for confirmation that the financial statements are prepared according to known and generally accepted principles and a demand for stronger legislations in order to protect the public against illegal or unethical conduct of those in charge of the companies.

Here, it can be said that the competence of financial markets can be affected if investors cannot trust the financial statements offered to them, since financial statements are official regular means for the delivery of information. We are in need for the establishment of a benchmark for fair presentation to administer justice with regard to those in charge of money, and stakeholders and other interested parties.

Therefore, at the beginning of the third millennium, the accounting profession is facing many problems, the most important of which is the retrieval of confidence in the financial statements. In other words, we need to see its role in corporate governance, considering the

financial scandals of giant international companies, including American, Dutch, and Italian corporations, due to lack of commitment to company laws and Securities and Exchange Commission (SEC), in addition to the lack of upholding high level standards of ethical and professional conduct.

From this perspective, there has been a loud call for better governance of organizations over the past ten years or so. The call has concentrated on major public joint-stock companies especially the banks, and it also expanded onto a wide coverage scale of organizations, for the following reasons:

1. The emergence of several cases of financial fraud and bankruptcy in public joint-stock companies, giving rise to such questions as: Where is the board of director? Where are the auditors? Where are the internal auditors and the supervisors? Where are the organizers and the legislators?
2. In the last few years, the activities of investors and shareholders have become more candid and demanding in relation to governance issues, and concentrated on many modern requests for the necessity of improving governance since good governance is based on:
    - Reduction of organization dangers.
    - Reduction of capital cost for the organization.
    - Increase of rights and guarantee for contributor in the end.

Therefore, this study is an attempt to study the influence of the adoption of international accounting and auditing standards on improving corporate governance effectiveness in Yemeni banks.

This study tries to achieve its aims by answering the following inquiries:

1. What is the impact of the adoption of international accounting standards' requirements on improving corporate governance effectiveness in Yemeni banks?
2. What is the impact of the adoption of international auditing standards' requirements on improving corporate governance effectiveness in Yemeni banks?

3. What is the impact of the adoption of internal professional auditing standards' requirements on improving corporate governance effectiveness in Yemeni banks?
4. What is the impact of the adoption of requirements of rules of professional and ethical conduct for accountants on improving corporate governance effectiveness in Yemeni banks?
5. What is the impact of commitments to laws and regulations (company law, banks law, and instructions of the central bank) on improving corporate governance effectiveness in Yemeni banks?

Rationale

Corporate Governance has developed alongside financial market development, accompanied by the existence of an active body to monitor money market and supervise its transparency. In addition, the development in the American accounting and auditing professions has also played an important role (Wahiduddin, 2003). The importance of this study stems from its presenting visualizations and solutions for consolidating the principles of corporate governance in Yemen in order to play its role as the safety valve for companies from bankruptcy and collapse through uplifting the profession of accounting and auditing in general and working on expanding the area of disclosure and transparency in particular. Besides, the importance of this study arises from up datedness of the subject both in the theoretical and applied aspects.

It is no doubt that in the current era of economic globalization companies, and even countries, where there is no or little application of the concept of governance, are more prone to serious consequences, far outweighing mere scandals and financial crises, such as financial collapse of companies and bankruptcy.

Events have proved that lack of corporate governance makes it possible for those in charge of companies from the inside (whether the board of directors, managers or employees) to manipulate the company's money at the expense of shareholders, suppliers, customers and other stakeholders.

This study gains an additional importance by looking into a very important topic in the area of accounting and management, i.e. corporate governance, particularly after the emergence of this research problem in a number of researches and studies in developed

countries such as Britain, Australia, the United States of America, Spain, Germany, Japan and China, as well as a number of Asian countries. Moreover, another dimension of the importance of the study stems from being the first study of its kind in the Republic of Yemen to the knowledge of the researcher.

The steady increase in the spread of companies, national and foreign banks, multinational corporations, and various legal forms operating and involved in several activities in Yemen makes this study quite relevant, considering that the accounting and auditing profession has hardly received any serious attention, especially corporate governance. Such point increases the importance of this study.

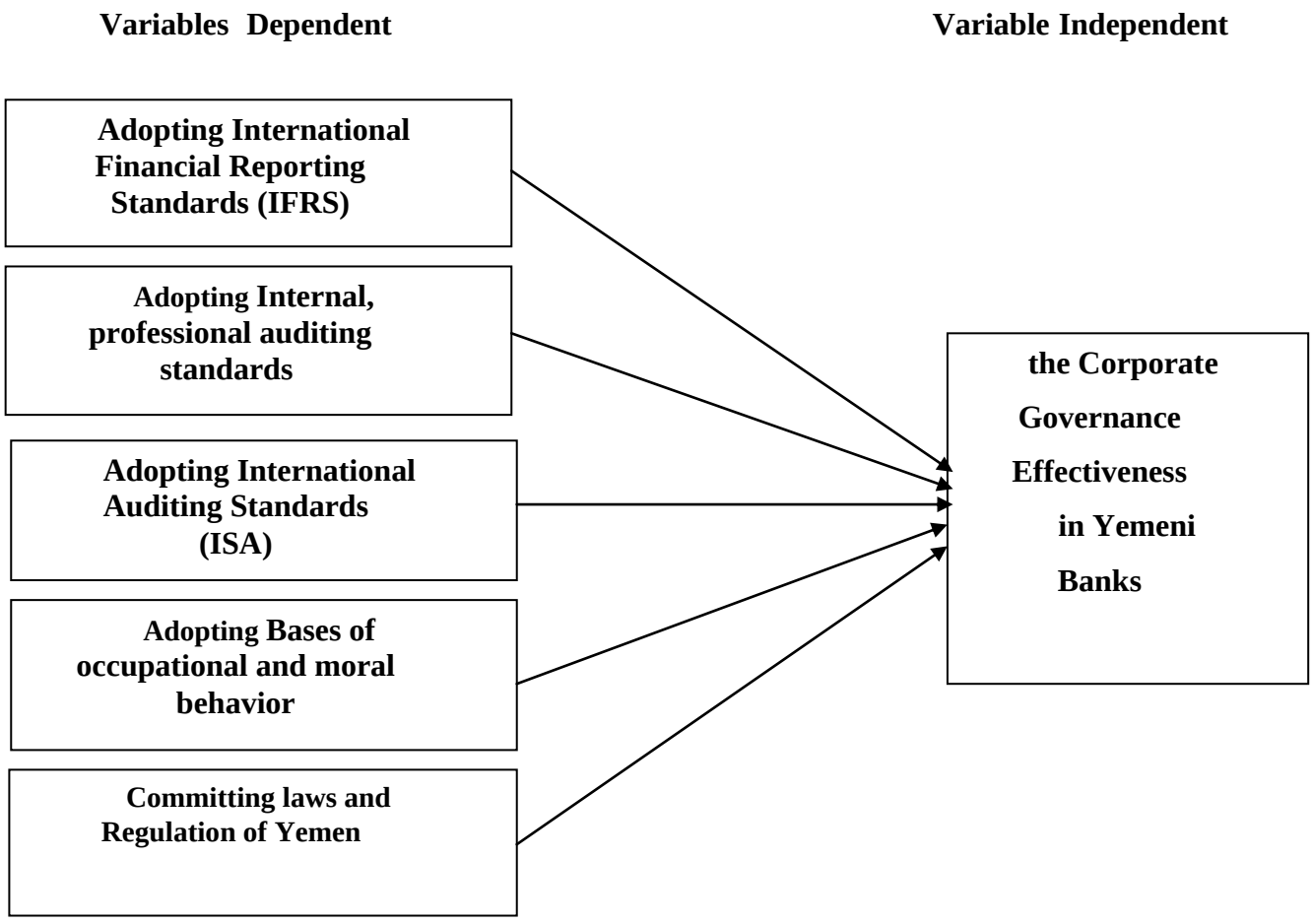
The Yemeni government has been trying to encourage foreign investment, changing the investment law several times, and attempting to provide facilities and incentives which would lead to increase and diversity of users of accounting information and contrast their culture and behaviour which calls for the use of accounting standards and auditing and methods and principles of corporate governance at the international level.

Objectives of the study

This study is an attempt to investigate the following aspects:

1. The impact of the adoption of international accounting standards' requirements on improving corporate governance effectiveness in Yemeni banks.
2. The impact of the adoption of international auditing standards' requirements on improving corporate governance effectiveness in Yemeni banks.
3. The impact of the adoption of internal professional auditing standards' requirements on improving corporate governance effectiveness in Yemeni banks.
4. The impact of the application of requirements of rules of professional and ethical conduct for accountants on improving corporate governance effectiveness in Yemeni banks.
5. The effect of the commitment to laws and regulations (company law, banks law, and instructions of the central bank) on improving corporate governance effectiveness in Yemeni banks.

Variables of the study


Variables Dependent
Variable Independent
Adopting International Financial Reporting Standards (IFRS)
Adopting Internal, professional auditing standards
Adopting International Auditing Standards (ISA)
Adopting Bases of occupational and moral behavior
Committing laws and Regulation of Yemen
the Corporate Governance Effectiveness in Yemeni Banks

Hypothesis

Based on the elements of the problem of study, hypotheses are examined to find out the extent of their suitability and correctness.

$H_0$1: There is no impact of the adoption of international accounting standards' requirements (IAS No 1, 24, and IFRS No 7) on improving corporate governance effectiveness in Yemeni banks.

$H_0$2: There is no impact of the adoption of international auditing standards' requirements (ISA No 240, 260, 570) on improving corporate governance effectiveness in Yemeni banks.

$H_0$3: There is no effect of adopting of internal professional auditing standards' requirements on improving corporate governance effectiveness in Yemeni banks.

$H_0$4: There is no impact of the adoption of requirements of rules of professional and ethical conduct for accountants on improving corporate governance effectiveness in Yemeni banks.

$H_0$5: There is no effect of commitment to laws and regulations related to ensuring the basis for an effective corporate governance framework on improving corporate governance effectiveness in Yemeni banks.

$H_0$6: There is no effect of commitment to laws and regulations related to the rights of shareholders and key ownership functions on improving corporate governance effectiveness in Yemeni banks.

$H_0$7: There is no effect of commitment to laws and regulations related to the equitable treatment of shareholders on improving corporate governance effectiveness in Yemeni banks.

$H_0$8: There is no effect of commitment to laws and regulations related to the role of stakeholders in corporate governance on improving corporate governance effectiveness in Yemeni banks.

$H_0$9: There is no effect of commitment to laws and regulations related to disclosure and transparency on improving corporate governance effectiveness in Yemeni banks.

$H_0$10: There is no effect of commitment to laws and regulations related to the responsibilities of the board on improving corporate governance effectiveness in Yemeni banks.

Definitions and Key Terms:

There are several concepts in the study, including independent and dependent variables. On this basis, the researcher will use the indicated concepts in front of each variable for the purposes of this study, as follows:

- **The supervisory sides**: This refers to the sides which are in charge of supervision on Yemeni banks, including the supervision of companies, , and the Central Bank.
- **The occupational sides**: his refers to the sides which issue the accepted accounting and auditing standards in Yemen as per the organizing laws of the profession, including International Accounting Standards Board (IASB), International Federation of Accountants (IFAC), and Institute of Internal Auditors (IIA).
- **Corporate governance**: It is a system for administration and supervision based on setting up a structure and frame for distribution of duties and responsibilities among participants in an organization (e.g. board of directors, managers, shareholders, and stakeholders), and the rules and the measures of decision-making on matters related to the establishment, and, hence, corporate governance provides a suitable structure through which the establishment can set its goals and the methods needed for realizing these goals, and can supervise performance.
- **Stakeholders**: They are those concerned with bank matters, and are divided into two main major sections, i.e.: internal stakeholders (such as, board of directors, managers, shareholders, employees) and external stakeholders (like depositors, borrowers, lawyers, capital markets, competitors and others).
- **Financial Reports**: This refers to the annual reports issued by Yemeni banks.
- **International Financial Reporting Standards**: These include the Introduction of International Accounting Standards, and the Accounting Standards no. (1), (7) , and (24) related to the presentation of financial statements and disclosure in the financial statements for banks and similar financial organizations.
- **Internal** A**uditing Standards**: This refers to the new frame for the practice of the profession of the internal auditing in the light of the global developments that accompany corporate governance.

- **International Auditing Standards**: This refers to the standards related to corporate governance and includes Standard no. (240) concerning Fraud, Standard no. (260) concerning communication, and Standard no. (570) concerning Going Concern.
- **Rules of Professional Conduct for the Accountants**: These are the rules issued by (IFAC) and approved by the Yemeni Association of Certified public Accountants.

Research Methodology

Data Collection:

1-Primary Data: As this study is both theoretical and practical, the researcher has collected the primary data by following inductive method. For this purpose, two models of the questionnaire were designed. The items of the questionnaire were structured on the basis of international accounting and auditing standards, and American standards issued by the American Institute of Internal Certified Public Accountants, the OECD standards and the Yemeni official laws. The researcher has also utilized the theoretical background in building the tool of the study.

2 – Secondary Data: This type of data have been collected from a set of Arabic and English books, periodicals, international accounting and auditing standards, OECD principles, existing scholarship in the filed, and the relevant official laws and regulations. The study also benefits from the material available online. This type of data have been of great importance for the theorization of the study.

Structuring and testing the questionnaire:

The preparation of the questionnaire underwent several phases as follows:

1. Surveying the relevant existing literature on corporate governance and international accounting and auditing standards such as (ISA.No.240& ISA.No.250& ISA.No.570) and (SAS, No. 53& SAS, No. 54 & SAS, No. 58& SAS, No. 59) and (IAS No.1, IAS No. 24, IFRS No.7) in addition to professional ethics rules and Yemeni official laws and legislation.

2. Identifying the dimensions of questionnaire, where the items were revised and modified to ensure the appropriateness of the tool to the several aspect investigated by the study.
3. The tool was distributed to a number of experts from Yemeni and Indian universities and to Yemeni public accountants to measure it.
4. The questionnaire was finalized and distributed to the respondents on the basis of the experts' recommendations.

The tool was modeled into two types according to the two targeted groups of the study respondents:

1. The Questionnaire for the Public Accountants

This model was divided into the following eleven dimensions:

1. The first dimension is meant to examine two parts. The first part focuses on Qualification, specialization, occupational level, years of experience, and the type of professional certificate. The second part contains questions on related audit firm such as the firm's age, and the number of companies audited by the firm in 2011, and the relevance of the office with an international auditing firm.
2. The second dimension contains (13) items targeting the extent of the impact of the adoption of international accounting standards (1, 24) and the international standard for financial reporting number (7) on improving the effectiveness of corporate governance.
3. The third dimension is formed of (19) items meant to examine the extent of the impact of adopting the International Standards on Auditing (240, 260, 570) on improving the effectiveness of corporate governance.
4. The fourth dimension contains (16) item regarding the extent of the impact of the adoption of international internal audit standards in the development of effective corporate governance.
5. The fifth dimension is of (15) items related to the extent of the impact of adopting professional ethics in improving the effectiveness of corporate governance.
6. This dimension includes (7) items targeting the extent of the impact of committing to the legal requirements contained in the legislation of Yemen regarding framework

ensuring the basis for an effective corporate governance in improving the effectiveness of corporate governance in banks of Yemen.

7. This dimension contains (6) regarding the extent of the impact of committing to the legal requirements contained in the Yemeni legislation related to the rights of shareholders and key ownership functions on improving the effectiveness of corporate governance in banks of Yemen.
8. This dimension contains (5) items pertaining to the extent of the impact of observing the legal requirements contained in the Yemeni legislation related to the equitable treatment of shareholders in improving the effectiveness of corporate governance in banks of Yemen.
9. This dimension has (5) items regarding the extent of the impact of observing the legal requirements of the Yemeni legislation concerning the role of stakeholders in corporate governance in improving the effectiveness of corporate governance in banks of Yemen.
10. This dimension is of (5) items regarding the extent of the impact of observing the legal requirements contained in the Yemeni legislation related to disclosure and transparency in improving the effectiveness of corporate governance in banks of Yemen.
11. This dimension contains (5) items regarding the extent of the impact of observing the legal requirements contained in the legislation of Yemen related to the responsibilities of the Board of Directors in improving the effectiveness of corporate governance in banks of Yemen.

2. The Questionnaire for Banks Management

This model consists of eleven dimensions targeting the respondents from banks management focusing on:

1. Qualification, specialization, and occupational level, years of experience, and age of the respective bank, and availability of governance guidelines in the bank.
2. The remaining ten dimensions are similar to those ten dimensions, from two to eleven, listed above.

The response to the questionnaire was according to Likert scale quintet as shown in the following table:

Table (1)

Categories of answers and the corresponding grades

Categories	Measurement	Grades
From 81% to 100%	5	Strongly agree
From 61%- 80%	4	Agree
From 41%- 60%	3	Not sure
From 21%- 40%	2	Disagree
From 0%- 20%	1	Strongly disagree

Population and Sample of the Study:

The study population consists of public accountants exercising the profession according to the Directory of Public Accountants certified to practice the profession of Auditing and Review (firms and/or individuals), issued by the Association of Public Accountants Yemenis (YACPA) for the year 2012. The population constitutes (13) firms, (214) private individual offices, and managements of the (18) banks operating in Yemen at the end of 2012. The two models of questionnaire were distributed as follows:

1. **Public Accountants**: the model questionnaire was distributed to a sample of public Accountants practicing and working in auditing (13) firms and (17) private auditing offices which audit the accounts of joint-stock companies. The study targeted a sample of public Accountants with authorization of (a) and (b) categories who meet the following conditions:

A. The public accountant should have worked in one of the audit firms operating in the capital Sana'a during the years 2010 - 2012.

B. The Audit firm in which the public accountant worked should be among the firms that audited the financial statements of joint-stock companies and banks operating in Yemen during 2010-2012.

Based on the above terms and conditions a sample of (100) public accountants were selected from (13) auditing firms and (17) auditing offices. This sample is of

survey type for being applied on all public accountants who meet the conditions above.

The questionnaire was distributed to the respondents in person. The following table shows the number of questionnaires distributed, recovered and subject to analysis.

Table (2)

Target sample and the actual degree of response (Certified Public Accountants)

Statement	Number	Rate
Questionnaires distributed	**100**	**100 %**
Questionnaires recovered	**81**	**81 %**
Invalid questionnaires for analysis	**9**	**9 %**
Questionnaires subject to analysis	**72**	**72%**

2. **Banks Management**: The field study covered all the (18) banks operating in Yemen. Due to the fact that the study targeted all the banks, the model questionnaires were distributed to executive managers, financial managers, and managers of internal audit, body members, members of audit committees in banks, heads of accounting departments. (100) questionnaires were distributed in person to match with the sample of the public accountants. The following table shows the number of questionnaires distributed, recovered and subject to analysis.

Table (3)

Target sample and the actual degree of response (Banks Management)

Statement	Number	Rate
Questionnaires distributed	**100**	**100 %**
Questionnaires recovered	**85**	**85 %**
Invalid questionnaires for analysis	**19**	**19 %**
Questionnaires subject to analysis	**66**	**66%**

In light of all the information above it can be understood that group (1) represents of public Accountants as a key part in the corporate governance from audit service providers' perspective with respect to the formulation of an impartial technical opinion over the faithfulness and fairness of the financial statements. While group (2) represents banks managements being responsible for financial statements and being key players in corporate governance from the perspective of the authors of the financial statements and service audit clients. Moreover, the members of audit committees and internal auditors are also key players in corporate governance for being working in managements which significantly and effectively affect the enhancing corporate governance effectiveness.

Tools and Techniques of Analysis:

1. Reliability test
2. Ratio analysis
3. The arithmetic mean
4. Standard deviation
5. Percentage
6. Coefficient of variation
7. Normal Distribution Test
8. One Sample T- Test
9. Normal Distribution Test:
10. Mann-Whitney Test
11. Wilcoxon Test

Scope and Limitation of study

Consists of the study population of individuals responsible for applying accounting standards, international auditing, corporate governance, and management in the Yemeni banking sector, the 18 banks at the end of 2012, and chartered accountants selected in a random sample of in charge of implementing corporate governance and management in the banking sector of Yemen.

Chapter Scheme

1- Introduction

2- Research Methodology &Literature Review.

3- Corporate Governance and its Role of Disclosure.

4- Professional and Ethical Factors in corporate governance.

5- Evaluating Yemeni legislations in Relationship with the profession of (OECD).

6- Field Survey of Banks in Yemen.

7- Summary, Conclusions and Suggestions.

*Bibliography

Expected Conclusions

1: Theoretical Findings:

Drawing on the theoretical background introduced throughout the previous five chapters, the researcher has reached the following conclusions:

1. The global and local business environment witnesses a rapid competition toward adopting the concept of corporate governance for part of the economic reform programs in each state for the purpose of improving the economic and social performance at the macro level and Yemen is one of these countries, especially after the government's drive towards the financial and administrative reform and combating corruption though still has to walk long steps to cope up with its counterpart under developing countries.

2. Most of the companies in developed countries tend towards the application of the principles of corporate governance and faster than those in developing countries– whose financial and administrative structures are characterized by remarkable failure in the degree of disclosure and transparency due to the lack of the application of corporate governance.

3. Though a harmony between the laws and legislation of Yemen and the rules and principles of Corporate Governance issued by the Organization of Economic

Cooperation Development (OECD) can be seen, there is an immediate need to reconsider all the Yemeni overlapping legislations for the purpose of integration.

4. Unlike the corporate governance principles issued by OECD, Yemeni legislations suffer the absence of the following law statements:

1-The Rights of Shareholders and Key Ownership Functions:

- Markets for corporate control should be allowed to function in an efficient and transparent manner.
- Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.

2-The Equitable Treatment of Shareholders

- Impediments to cross border voting should be eliminated.
- Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.

3-The Role of Stakeholders in Corporate Governance

- Performance-enhancing mechanisms for employee participation should be permitted to develop:

4-Disclosure and Transparency

- Issues regarding employees and other stakeholders.
- Channels for disseminating information should provide for equal, timely and cost-efficient access to relevant information by users.
- The corporate governance framework should be complemented by an effective approach that addresses and promotes the provision of analysis or advice by analysts, brokers, rating agencies and others, that is relevant to decisions by investors, free from material conflicts of interest that might compromise the integrity of their analysis or advice.

5-The Responsibilities of the Board

- Monitoring the effectiveness of the company's governance practices and making changes as needed.
- Overseeing the process of disclosure and communications.

5. The lack of bodies, organizations or associations undertaking the responsibility of issuing instructions, accounting and ethical standards, and regulations governing the profession of accounting and auditing–except for the Association of Chartered Accountants Yemenis which has not issued any localized standards or guidelines so far until drafting the final manuscript of this study.
6. There is an important role played by Board of Directors in monitoring the management performance on behalf of shareholders, evaluating its adherence to the institutional standards, and focusing on the role of managers–especially the General Executive Manager–whose sole duty is to fulfill the goals of the company.
7. The disclosures in the annual financial reports of the Yemeni banks did not explicitly refer to the subject of corporate governance in the light of the requirements (OECD) and/or Corporate Governance Guidelines issued by Yemeni Businessmen Club.
8. There is an obvious failure in the annual reports of the banks in Yemen represented by the absence of disclosure of corporate governance in the light of the requirements of the Basel Committee issued in 1999 and amended in 2006.
9. The absence of a clear identification of the responsibilities of the Board of Directors and executive managers towards stakeholders and shareholders.
10. The lack of guidelines for the corporate governance system in Yemen–except for the guidelines issued by the Yemeni Businessmen Club in 2010 whose application is not mandatory.
11. The lack of an exchange market in Yemen that can contain registration requirements for institutions and companies.
12. The endemic chronic problem in Yemen is the lack of enforcing the existing laws and regulations, which are always subject to violations by the influential government officials.
13. Most companies in the Yemeni market are familial companies dominated by a small number of shareholders monopolizing huge proportions of the shares (ownership).
14. The low level of the accounting and auditing profession, and the scarce number of specialized financial institutions and companies providing information and financial analysis or financial counseling.

15. The instability of the government has lead to its impotency of monitoring and regulating over the technical performance of companies on the one hand and over their financial positions on the other.

16. Lack of perception and awareness of the basic concepts of corporate governance by the majority of the employees in the Yemeni banks.

2- The results of the field study:

Showed the results of statistical analysis to study the following hypotheses:

1. That all banks operating in the Republic of Yemen does not have guidance for corporate governance, with the exception of the Arab Bank, which represents 5% of the banks that is to say 95% of the Yemeni banks do not have guidance for corporate governance, as well as not to issue Central Bank of Yemen for guidance governing the application of corporate governance system.

2. There is impact of the adoption of international accounting standards' requirements (IAS No 1, 24, and IFRS No 7) on improving corporate governance effectiveness in the Yemeni banks. Where the percentage of effecting was 82%.

3. There is impact of the adoption of international auditing standards' requirements (ISA No 240, 260, 570) on improving corporate governance effectiveness in the Yemeni banks. Where the percentage of effecting was 81%.

4. There is effect of adoption internal professional auditing standards' requirements on improving corporate governance effectiveness in the Yemeni banks. Where the percentage of effecting was 91%.

5. There is impact of the adoption of requirements of bases of occupational and moral behavior for accountants on improving corporate governance effectiveness in the Yemeni banks. Where the percentage of effecting was 81%.

6. There is effect of commitments, laws and regulation related to ensuring the basis for an effective corporate governance framework on improving corporate governance effectiveness in the Yemeni banks. Where the percentage of effecting was 80%.

7. There is effect of commitments, laws and regulation related to the rights of shareholders and key ownership functions on improving corporate governance effectiveness in the Yemeni banks. Where the percentage of effecting was 72%.

8. There is effect of commitments, laws and regulation related to the equitable treatment of shareholders on improving corporate governance effectiveness in the Yemeni banks. Where the percentage of effecting was 71%.
9. There is effect of commitments, laws and regulation related to the Role of stakeholders in corporate governance on improving corporate governance effectiveness in the Yemeni banks. Where the percentage of effecting was 77%.
10. There is effect of commitments, laws and regulation related to disclosure and transparency on improving corporate governance effectiveness in the Yemeni banks. Where the percentage of effecting was 76%.
11. There is effect of commitments, laws and regulation related to the responsibilities of the board on improving corporate governance effectiveness in the Yemeni banks. Where the percentage of effecting was 81%.
12. There are no significant differences of statistical significance between the Opinions of auditors and banks management with respect to the existence of the effect of the adoption of international accounting standards to improve corporate governance effectiveness in Yemeni banks.
13. The study has also found that there are statistically significant differences between the views of public accountants and banks management on the hypotheses (2, 4, 5, 7, 9, 10) whereas there are no statistically significant differences between the views of public accountants and banks management on the hypotheses (1, 3, 6, 8).

Recommendations

Based on the conclusions and findings of the study, the researcher and field theory, in addition to the observation and some personal interviews conducted by a researcher with the specialists in the Yemeni banks therefore recommends:

The study recommends the need for the application of International Accounting and Auditing Standards by those who prepare financial statements and public accountants, taking into account the issuance of legal texts that compel companies and banks to apply International Accounting and Auditing Standards, and monitoring and following up the implementation by these companies and banks.

The study has also highlighted the need to apply the standards of internal audit by the Yemeni banks, to subject internal auditors and their methods to a continuous process of evaluation to identify strengths and weaknesses in their work, and to work on improving their experience and skills and familiarizing them with modern audit methods and practices followed in developed countries through participation in conferences and scientific workshops, regional and international.

The study also pinpointed the need for the concerned authorities to issue guidelines for corporate governance as well as ethical rules and foundations of professional conduct, and compel members and professionals to be bound by them.

Besides, the study has recommended that the Yemeni government should quickly complete the procedures of setting up a stock exchange market, and work hard to attract Arab and foreign investments through providing necessary facilities and infrastructure, amending the investment law, and combating corruption.

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